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# Revenue Sharing Won't Cure Baseball's Disparities, According to University of Dayton Study

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**REVENUE SHARING WON'T CURE BASEBALL'S DISPARITIES, ACCORDING TO UNIVERSITY OF DAYTON STUDY**

DAYTON, Ohio — Major league baseball owners will be wasting their time at their quarterly meeting in Denver June 16-17 if they plan to discuss a revenue-sharing plan among the 28 major league teams, according to a University of Dayton study.

The concept — that large-market teams should share their media revenues with small-market teams — is the medicine experts say will cure baseball's economic disparities. Two economists at the University of Dayton aren't buying the notion that small media market teams can't compete in the labor market for top players.

"Almost everybody in the baseball world seems to favor this Robin Hood idea," write Larry Hadley and colleague Elizabeth Gustafson in their paper, "Sharing Local Media Revenue and the Coase Theorem."

"Nobody feels sorry for the wealth position of baseball owners in general regardless of the size of their team's market," write Hadley and Gustafson. "But it is difficult to think of any good reason that owners of large-market teams should be forced to transfer a part of their wealth to the owners of small-market teams. How would this serve the 'best interests of baseball?'"

Hadley says owners should consider two issues when discussing revenue sharing: financial viability and competitive balance.

"If a club's in financial difficulty, revenue sharing will help," says Hadley. "But there are not franchises in financial difficulty. Recently, people were willing to pay $95 million for a club that didn't even exist."

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Hadley points to an economic theory developed by economist Ronald Coase to explain revenue sharing's implication on competitive balance. Basically, Coase's theory — as applied to baseball — says reassigning media revenues won't impact the allocation of players among teams and, therefore, shouldn't impact competitive balance.

The UD economists studied the winning percentages from 1982 to 1992 of teams in markets they defined as small, near-large and large. Small-market teams (Cincinnati, Cleveland, Kansas City, Milwaukee, Minnesota, Pittsburgh, St. Louis and Seattle) had a cumulative .489 winning percentage; near-large market teams (Atlanta, Boston, Detroit, Houston, Philadelphia and Toronto) had a .508 percentage; and large-market teams (California, Chicago Cubs and White Sox, Los Angeles, New York Mets and Yankees, Oakland and San Francisco) had a .509 percentage. The .020 differential translates into 3.5 games in the standings over a 162-game season, says Hadley, "so well-managed small-market teams may expect to be in pennant races with some regularity."

Hadley's advice to owners? "Revenue sharing won't change the winning percentage differential and it won't alter the distribution of players." Besides, Hadley sympathizes with large market owners who, not surprisingly, are balking at the concept of sharing their wealth with fellow owners.

"Jerry Reinsdorf has been quoted: 'I bought the Chicago White Sox — not the Seattle Mariners,'" says Hadley. "His point should be well taken."

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